

Sam (India) Infrastructure LLP

March 09, 2023

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	10.00	CARE BBB-; Stable	Assigned
Long Term / Short Term Bank Facilities	90.00	CARE BBB-; Stable / CARE A3	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to the bank facilities of SAM (India) Infrastructure LLP derives strength from long standing experience of the promoter in handling various construction projects and comfortable orderbook position reflecting medium term revenue visibility. The ratings also derive comfort from comfortable financial risk profile characterized by comfortable overall gearing, debt coverage indicators and comfortable operating cycle. These rating strengths are, however, partially offset by short track record of execution as entity commenced its operations in FY20 (refers to the period April 01 to March 31) only and execution risk given a sizeable portion of orderbook is in nascent stage of construction. The ratings are also constrained by the geographically concentrated orderbook, competitive industry coupled with tender based nature of operations and nature of constitution being partnership firm.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Expansion in scale of operations above Rs.300 crore while maintaining PBILDT margin above 10% on a sustained basis.
- Execution of the ongoing projects within the envisaged timelines along with growth in orderbook ratio above 4x on a sustained basis.

Negative factors

- Delay in execution of orderbook and resultant decline in total operating income below Rs.100 crore and/or decline in PBILDT Margins below 6% on a sustained basis.
- Deterioration in the solvency position due to increased working capital reliance or debt funded capex with overall gearing weakening significantly to more than 1.00x and TD/GCA deteriorating to more than 4.00x.
- Significant increase in working capital requirement and resultant weakening of liquidity position of the firm.

Analytical approach: Standalone

Outlook: Stable

The Stable outlook reflects CARE's opinion that the firm will continue to benefit from vast experience of promoters, satisfactory orderbook and growth in scale of operations while maintaining profitability margins.

Key strengths

Experienced Promoters and Management

SAM India Infrastructure LLP (SIIL) is promoted by Mr. Madan Lal and Mr. Sachin Garg. Mr. Madan Lal was earlier the promoter of Sam India Builtwell Private Limited (SIBPL) along with another promoter. He is civil engineer and has more than three decades of experience of successfully executing various large projects across high rise buildings and townships, metro rail and airports segments and establishing SIBPL. The said experience has helped SIIL to scale up its operations in a short span of time.

Comfortable orderbook position reflecting medium term revenue visibility

SIIL has an outstanding orderbook of Rs.1012 crore as on Dec 31, 2022. Earlier the firm was executing the projects on sub-contracting basis since the entity was into very nascent stage of operations. However, from current fiscal onwards, entity is bidding and executing the work orders on its own. The order book to TOI for FY22 stands comfortable at 3.97x which translates into good revenue visibility over near to medium term. Considering vast industry experience of promoters and thrust of government on infrastructure development, SIIL is expected to scale up its order book in the medium term. The on-going orders of the firm are expected to be completed within 12-24 months. Further, the order book of the firm has in-built price escalation clause for raw materials which mitigates the risk arising out of any adverse movement in raw material prices to some extent.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Comfortable financial risk profile

The total operating income grew by ~65% to Rs.254.65 crore in FY22 from Rs.153.84 crore in FY21 primarily due to higher execution of contracts. The firm has comfortable financial risk profile characterized by comfortable overall gearing and debt coverage indicators. The firm is in the process of investing into building its technical capabilities, construction asset base and other fixed expenses will be better apportioned once the scale and orderbook improves, hence margins will stabilize gradually. Entity has been funding its operations from its own cash accruals, free cash and liquid investments till date and there is no term debt is envisaged over the next 2 to 3 years. The working capital limits largely remains unutilized. Hence the financial risk profile is expected to remain comfortable over the medium term.

Comfortable operating cycle

Operating cycle of the firm stands comfortable at 15 days (PY: 14 days) in FY22 with average collection period of 15 days and average inventory days of 23 days in FY22. The inventory of the firm includes majorly construction material at the respective project sites. Entity recognizes turnover and raise the invoices after the work done has been certified by the competent authority. Going forward, with the scale up of operations by bidding and execution of contracts on its own by the firm, any elongation in the operating cycle remains to be seen.

Key weaknesses

Geographically concentrated orderbook

The firm has around 49% of the unexecuted orderbook concentrated in Delhi and balance 32% in Gurugram, Haryana. This exposes the firm to geographical concentration risk. Any unfavorable change in government policy and rules & regulations related to construction activities can alter the firm's operational performance. However, presence of various clauses in the contracts including escalation clause mitigates the risk to a large extent.

Short track record of execution and execution risk

The operations of SIIL are in nascent stage, since the entity commenced its operations in FY20, whereas it had initially started executing contracts on sub-contracting basis and recently started bidding the contracts on its own and executing the same. Given a sizeable portion of unexecuted orderbook is in nascent stage of construction, SIIL is exposed to the execution risk. However, the promoter has adequate experience in executing large projects through association with SIBPL as a promoter in the past.

Competitive industry coupled with tender based nature of operations

SIIL receives all its work orders from government departments/undertakings constituting 100% of its order book position. All these are tender-based, and the revenues are dependent on the entity's ability to bid successfully for these tenders. Profitability margins come under pressure because of competitive nature of the industry. However, the promoters' long industry experience of over two decades mitigates this risk to some extent. There are numerous fragmented & unorganized players operating in the segment which makes the civil construction space highly competitive. However, the firm is enlisted as Super Class I with CPWD which gives it an edge over the competitors.

Constitution of the entity being partnership firm

SIIL constitution as a limited liability partnership firm has the inherent risk of possibility of withdrawal of the partner's capital at time of personal contingency and firm being dissolved upon the death/retirement/insolvency of partners. Moreover, partnership firm has restricted access to external borrowing as credit worthiness of partners would be the key factor affecting credit decision for the lenders.

Liquidity: Adequate

The liquidity profile of SIIL is adequate as the firm is not having any repayment obligations going forward. As on March 31, 2022, the free cash and cash equivalents stood at ~Rs.12.72 crore, though currently the same has been deployed in the business to fund the working capital requirement. The firm's average fund-based utilization stood at ~22% in trailing 12 months ending January 2023. The firm has sufficient gearing headroom to raise any additional debt going forward. The firm's satisfactory cash accruals provide it a cushion against funds mismatches over the medium term.

Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Construction](#)
[Infrastructure Sector Ratings](#)

About the company and industry

Industry Classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Industrials	Construction	Construction	Civil Construction

SIIL was incorporated in the year 2019, promoted by Mr. Madan Lal and Mr. Sachin Garg and is engaged in EPC work in buildings and metro rail segments. The entity was converted to LLP in FY20 from SAM (India) Infrastructure Private Limited to SAM (India) Infrastructure LLP. SIIL has already executed 3 civil construction projects worth more than Rs.400 crore (principal contractors are PWD, CPWD, and DMRC). SIIL is registered with CPWD as Class I (Super) contractor.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	10MFY23 (UA)
Total operating income	154.51	255.46	76.13
PBILDT	33.97	31.79	8.11
PAT	22.26	20.68	4.99
Overall gearing (times)	0.00	0.00	0.25
Interest coverage (times)	11,109.46	391.89	47.71

A: Audited, UA: Unaudited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of the covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of the various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based-Working capital facilities		-	-	-	10.00	CARE BBB-; Stable
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	90.00	CARE BBB-; Stable / CARE A3

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based-Working capital facilities	LT	10.00	CARE BBB-; Stable				
2	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST*	90.00	CARE BBB-; Stable / CARE A3				

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based-Working capital facilities	Simple
2	Non-fund-based - LT/ ST-Bank Guarantee	Simple

Annexure-5: Lender details

 To view the lender wise details of bank facilities please [click here](#)

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:

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